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12 May 1960

CURRENT INTELLIGENCE WEEKLY SUMMARY

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS Page 1

Khrushchev's aggressive exploitation of the aircraft incident of 1 May reflects his confidence that he can use this issue to good advantage in strengthening his negotiating position. At the same time, however, he has indicated that he does not wish to slam any doors in or upset at the last minute his long campaign to bring the Western leaders to a meeting under what he considers highly favorable conditions. Soviet propaganda, Khrushchev's private remarks, and the formal Soviet protest note show that Moscow is preparing the ground for further measures to capitalize on the incident, including a complaint to the United Nations and a trial of the American pilot. [REDACTED]

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CHANGES IN THE SOVIET LEADERSHIP Page 4

The reasons underlying the recent shifts in the top leadership of the Soviet party are not clear, but judging from the changes themselves and events leading up to them, the basic problem lay in the party secretariat. There had been signs for some time that Khrushchev was not satisfied with the work of this body, and now, after a series of temporizing measures, he has undertaken a major reorganization. [REDACTED]

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CUBA Page 5

The resumption of Cuban diplomatic relations with the Soviet Union on 7 May will provide the USSR with expanded opportunities for activity in Latin America under diplomatic cover. The probable Cuban ambassador to Moscow has few qualifications for a diplomatic post and has a record of collaboration with Communists. Cuba and Czechoslovakia are concluding a trade agreement. The seizure of the largest of the two remaining newspapers opposed to the Castro government on 11 May will probably discourage further the already intimidated domestic opposition groups. [REDACTED]

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TRUJILLO'S GROWING INTERNATIONAL ISOLATION Page 6

Increasing antipathy in the western hemisphere toward the Trujillo dictatorship is reflected in the recent breaking of diplomatic relations with the Dominican Republic by

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PART I (continued)

Colombia and Peru. Venezuela, which broke relations nearly a year ago, is angered by Dominican involvement in the 20-21 April military uprising against President Betancourt and is threatening to withdraw from the Organization of American States. [REDACTED]

TURKISH INTERNAL SITUATION Page 7

Political tension remains high in Turkey, although no major demonstrations have occurred since 5 May. The governing Democratic party appears to be split between extremists, who favor severe repressive action against the opposition Republican People's party, and moderates, who advocate a speedy return to normal democratic procedures. Premier Menderes reportedly has joined with the moderates in calling for an end to "abnormal" methods. Menderes' conciliatory tone may have been adopted in the hope of regaining popularity within the country and simultaneously further limiting the influence of President Bayar, his long-time rival for power. [REDACTED]

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PART II

NOTES AND COMMENTS

KHRUSHCHEV'S ECONOMIC PROPOSALS Page 1

Khrushchev's speech on 5 May to the Supreme Soviet expressed general satisfaction with the USSR's economic achievements and continued optimism over prospects, particularly for the Soviet consumer. He showed characteristic confidence in the country's ability to fulfill the Seven-Year Plan and to catch up with the United States. He detailed plans for eliminating most direct personal taxes, reducing the workweek, and revaluating the currency. In a speech on 7 May he warned that lags in adding to the building materials capacity could pose a threat to the investment program of the Seven-Year Plan. (Confidential)

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EAST GERMAN REGIME CRACKS DOWN ON EVANGELICAL CHURCH. . . Page 5

The Ulbricht regime apparently intends to destroy the independence of the Evangelical Church, the only effective opposition force in East Germany and the last remaining all-German organization there. It has begun to collectivize church lands and has threatened to cut off the church's financial support from West Germany. It will

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PART II (continued)

probably follow these moves by offering to pay the pastors and church expenses in order to make the church dependent on the regime. Chancellor Adenauer intends to raise the matter of West German support for the church with President Eisenhower in Paris.

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CHOU CONTINUES SWING THROUGH SOUTHEAST ASIA Page 6

Premier Chou En-lai's visit to Cambodia from 5 to 9 May--at a time of increased Cambodian - South Vietnamese frictions--provided the Chinese Communists with the opportunity to encourage Sihanouk's neutral position and counterbalance American influence there. The Chinese premier made no formal commitment to guarantee Cambodian borders against South Vietnam and confined himself to expressions of moral support for Phnom Penh.

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GROWING CRITICISM OF DIEM REGIME IN SOUTH VIETNAM Page 7

The Diem regime in South Vietnam, in addition to facing a stiff challenge from resurgent Communist guerrilla forces, is also confronted with an erosion of strength from within, which would play into Communist hands. Diem shows no inclination to relax his authoritarian rule despite widespread discontent within the administration and growing public criticism. Many high-level Vietnamese officials, including Vice President Tho, fear for the government's stability unless political reforms are speedily effected.

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SOUTH KOREA Page 8

The South Korean National Assembly is moving toward amendment of the constitution to reduce the powers of the president and establish a cabinet with a prime minister responsible to the legislature. Although sporadic demonstrations have continued on a reduced scale calling for the resignation of the incumbent assembly prior to amendment of the constitution, the general public seems willing

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to have the changes made by the present legislature. Meanwhile, martial law commander Lt. Gen. Song Yo-chan, who has been using only moderate force to break up demonstrations, is concerned over the threat of Communist agent exploitation of the present unrest. [REDACTED]

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MIDDLE EAST HIGHLIGHTS Page 10

President Shihab of Lebanon is establishing a neutral, caretaker cabinet to supervise the parliamentary elections scheduled to begin on 12 June. Further violence between Lebanese Christians and Moslems is to be expected as the campaign proceeds. In Iraq, the Qasim regime is trying to block moves by an antiregime faction in the National Democratic party to gain control of the party and withdraw its support from the government. The termination of the picketing of the UAR freighter Cleopatra in New York was treated by the Arab press, radio, and officialdom as a major victory for Arab unity; the ending of the Arab retaliatory boycott was probably greeted with relief by leaders of most Arab governments. [REDACTED]

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ETHIOPIAN-SOMALI RELATIONS Page 12

The imminent independence and union of two Somali states has increased apprehension in Addis Ababa over the integrity of the Ethiopian empire, which includes a sizable Somali minority. Ethiopia suspects that acquiescence by Britain and Italy to Somali nationalist demands is part of an effort to maintain colonial influence in the Horn of Africa. [REDACTED]

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DISORDERS IN THE BELGIAN CONGO Page 14

Disorders in the Belgian Congo--including anti-European demonstrations and scattered strikes--have resulted in a serious deterioration of internal security. Local police have failed to intervene effectively in several recent instances of violence. The period leading up to Congolese independence on 30 June probably will be marked by new disorders, particularly since Belgian authorities seem disinclined to take strong countermeasures. [REDACTED]

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TENSION IN MALI Page 15

Acute tension has developed between Senegal and Soudan--the component states of the French Community's Mali Federation in West Africa--over constitutional and political issues which should be settled before Mali becomes independent next month. The immediate controversy

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PART II (continued)

revolves around the office of chief of state and the allocation of Mali's new defense and foreign affairs portfolios. While compromise arrangements will probably preserve the federation and leave the door open for the possible future entry of additional states, friction between Senegal and Soudan over basic constitutional issues will continue. [REDACTED]

FRENCH BASES IN AFRICA Page 17

Recent French negotiations concerning bases in Africa suggest that Paris' long-term plans for the defense of Africa and Europe's southern approaches will center on a few major air and naval bases in Africa. There are hints of some French willingness to give up eventually all bases in independent African states except two in North Africa, one in West Africa, and one on Madagascar. De Gaulle has also sought Allied coordination on an African program to complement French plans. [REDACTED]

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TAMBRONI GOVERNMENT'S DIFFICULTIES Page 19

Premier Tambroni's caretaker Christian Democratic government in Italy faces continued attack from the small democratic parties which backed earlier governments, and possible revolt by Christian Democrats who object to his parliamentary dependence on the neo-Fascists. [REDACTED]

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PART III

PATTERNS AND PERSPECTIVES

BLOC ECONOMIC RELATIONS WITH CUBA Page 1

The Soviet Union, with active support from the satellites, is consolidating its initial economic ties with Cuba in an effort to lay the foundations for a long-term relationship. Success of this effort will depend chiefly

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PART III (continued)

on Havana's ability to achieve some degree of domestic stability. Prospects that the Sino-Soviet bloc might take over the US economic position in Cuba are remote, but the present agreements are already being hailed by both parties as a significant victory over "Western imperialism."

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NEO-FASCISTS IN POSTWAR ITALY Page 5

The recently formed cabinet of Fernando Tambroni is unique among postwar Italian governments in that his Christian Democratic party is dependent for its majority in the lower house on the neo-Fascist Italian Social Movement. This development, which came about over vehement objections both in and outside the ruling Christian Democratic party, has focused renewed attention on the long struggle of Italian fascism to reassert and rehabilitate itself. The neo-Fascists, proponents of an authoritarian, nationalist, anti-Communist solution for Italy's political difficulties, can hope to profit from continuance of the stalemate within the Christian Democratic party.

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EAST GERMAN ECONOMY: PROSPECTS IN THE EARLY 1960'S . . . Page 9

Economic problems are less likely to contribute to political instability in East Germany during the next few years than they have in the recent past. Living standards at present are comparable to levels in West Germany in 1953, and further economic growth will probably be more rapid than in West Germany. There is little likelihood, however, that agricultural production will increase significantly over the next few years. Personal consumption is now increasing less rapidly than production, and during the next few years consumption will remain about 25-30 percent below present West German levels.

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HOUSING CONDITIONS AND THE SOVIET CITIZEN Page 12

Housing conditions in the USSR cause more widespread and intense dissatisfaction than any other aspect of Soviet life. Visible signs of improvement since the regime launched a major program in 1957 to eliminate the housing shortage have tended to bring to the surface long-suppressed feelings of personal injustice. While it is likely that in the next decade the Soviet leaders can go a long way toward solving the housing shortage, they will probably be plagued for some time with steadily increasing public demands. Expressions of discontent and protest, however, are not expected to pose a serious challenge to the regime.

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PART I**OF IMMEDIATE INTEREST****EAST-WEST RELATIONS**

Khrushchev's aggressive exploitation of the aircraft incident of 1 May reflects his confidence that he can use this issue to good advantage in strengthening his negotiating position. At the same time, however, he has indicated that he does not wish to slam any doors in or upset at the last minute his long campaign to bring the Western leaders to a meeting under what he considers highly favorable conditions. Soviet propaganda, Khrushchev's remarks, and the formal Soviet protest note show that Moscow is preparing the ground for further measures to capitalize on the incident, including a complaint to the United Nations and a trial of the American pilot.

Soviet propaganda media are giving the plane incident relatively moderate publicity. Several previous Khrushchev speeches have been given greater coverage by Moscow than his 7 May speech, and routine radio comment has not been voluminous. Domestic propaganda has not stressed the danger of accidental war as a result of such flights. A Pravda editorial of 9 May made it clear that the incident should not be considered a "crisis" situation. There have been no demonstrations before the US Embassy in Moscow, although the embassy has received a number of protest telegrams. Mass meetings of workers reportedly have been held in several cities, but

there has been no concerned effort to arouse anti-American feeling.

Khrushchev gave the lead in this approach by stressing in his 7 May speech that his exposure of details of the incident should not be interpreted as a "call to strain nerves in our country," but as an "appeal for calmness," vigilance, and reason. He followed this up in his remarks at the Czech Embassy reception on 9 May by calling for an end to further aggravation of US-Soviet relations.

Khrushchev's remarks regarding President Eisenhower at an impromptu press conference during the display of the downed aircraft would seem to undermine to some extent the position he took in his Supreme Soviet speeches on 5 and 7 May in which he carefully avoided attributing direct responsibility for the aircraft incident to the President. According to Western press reports, the Soviet Western press reports, the Soviet premier stated that his estimate of the President had been revised, but Moscow imposed censorship on subsequent accounts until the official TASS version was released.

TASS omitted some of Khrushchev's remarks and altered other statements. TASS quotes Khrushchev as saying that Secretary Herter's statement "has made us

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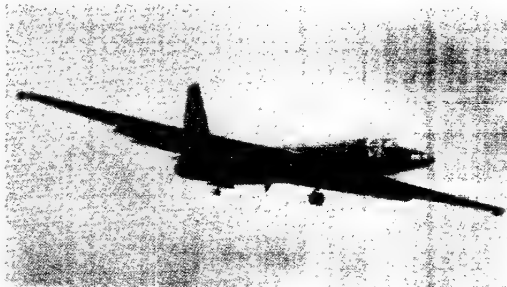
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doubt the correctness of our earlier conclusion that the President, the American Government, did not know about the flights." The Soviet version of Khrushchev's remarks also avoids the question of the President's visit to the USSR. TASS quotes Khrushchev's references to the politeness of the Soviet people, although it

with the sanction of the American Government.

Khrushchev has seized on the incident to renew pressure against countries which grant bases to the United States. In an effort to generate distrust and alarm over US utilization of these bases, Khrushchev



Lockheed U-2 high-altitude research plane.

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would be difficult for them to welcome him as a guest.

Khrushchev also moved to forestall speculation that exploitation of the incident was an effort to disrupt the summit by sending notes on 9 May to the Western heads of government confirming proposed procedural details and expressing hope for a successful summit. In Moscow's official protest note of 10 May, however, the Soviet Government challenged the US statement that the flight was not authorized by Washington. In building its case against the US, the note charged that this version "does not correspond to reality" and concluded that "espionage activities" were carried on

charged that the Soviet Government considered Norway, Turkey, and Pakistan "accomplices" in the matter. He warned on 7 May that the involvement of these governments was a "hostile act against the Soviet Union" and emphasized that they "must now see" the consequences of lending their territories for "aggressive purposes."

More explicitly, in his 9 May speech he called on those countries which have foreign bases to "note carefully" that flights from these bases would draw direct retaliation. At the Czech reception he made a point of publicly upbraiding the Norwegian ambassador and the Pakistani chargé.

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In developing his threats of retaliation against the US, Khrushchev has been careful to avoid any direct commitment. In his 7 May address, he recalled that an "adventurist, prone to dizziness" could drop a hydrogen bomb on foreign soil, which would lead to the dropping of a more destructive bomb on the country where the adventurist was born. The official protest to the US, however, was limited to stating that if "similar provocations are repeated, the USSR will be obliged to take retaliatory measures."

Moscow apparently plans a further series of moves to extract the maximum propaganda value from the incident. Khrushchev reaffirmed on 11 May his intention to take the matter to the UN Security Council, but gave no indication of the timing of such a move. He added that if the Security Council does not "take the right decision," the USSR will raise the matter in the General Assembly. As a prelude to a trial of the pilot, formal charges together with an alleged confession were placed on display at the exhibition of the aircraft of the aircraft wreckage on 11 May.

Chinese Reaction

Peiping's propaganda treatment of the incident, while remarkably low in volume, is centered on "proving" lack of American sincerity in the forthcoming summit meeting. A People's Daily editorial on 9 May states that the incident "is by no means accidental" and that the US Government "is devoid of any sincerity regarding the summit conference." In

an effort to justify Peiping's basic disagreement with Khrushchev's detente tactics, the editorial asserts that "American military provocations and the threat of war against China continue." The editorial implies that Peiping had been right all along, and Khrushchev wrong, and that his "patient, conciliatory, and accommodating attitude" is regarded by the United States "as a sign of Soviet weakness."

This Chinese view, expressed in part by Premier Chou En-lai's remark in Hanoi that the West is taking advantage of the relaxation of tension and continuing to wield "the butcher's knife," stems from Peiping's fear that the summit could perpetuate the existing status quo in the Far East. The Chinese leaders, calculating that at some future period they will find the opportune moment to again probe US - Chinese Nationalist determination to defend the offshore islands in the face of international opinion reluctant to see a major war flare up over these islands, are trying to place the onus for any increased hostilities on the United States.

Current Chinese Communist propaganda on US intentions is a direct continuation of the line stressed by Chou En-lai in September 1958, when he claimed that the United States "often uses peaceful negotiation" as a cover for its action of "continuously expanding aggression...and interfering in China's internal affairs."

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CHANGES IN THE SOVIET LEADERSHIP

The reasons underlying the recent shifts in the top leadership of the Soviet party are not clear, but judging from the changes themselves and events leading up to them, the basic problem lay in the party secretariat--the administrative head of the party and the focal point for control of the professional party machine. The changes in the party presidium--the removal of Belyayev and Kirichenko, and the promotion of candidates Kosygin, Podgorny, and Polyansky to full membership--for the most part formalized an existing situation.

There have been signs that Khrushchev was not wholly satisfied with the operations of the

been Khrushchev's second in command and strong right arm in running the secretariat.

Whatever may have been the direct cause of Kirichenko's downfall--disagreements over policy or personal reasons--the net result, taken in conjunction with the shift of Khrushchev's attention more and more from domestic problems and internal party matters to foreign affairs and travel, was that the secretariat was left without the firm leadership of a strong administrator. After a series of temporizing measures--putting Mikhail Suslov temporarily in charge in the secretariat, bringing Ignatov back to full-time secretariat work, and finally removing Kirichenko entirely from the scene by assigning him to a post in the provinces--Khrushchev now has sought a more radical solution.

Kozlov was a natural choice to fill the vacuum left by Kirichenko's removal. Khrushchev and Mikoyan stated

in June 1959 that they had picked Kozlov to be their successor, thus indicating that they were highly impressed with his abilities and political reliability. Moreover, if Khrushchev is serious about establishing Kozlov as his successor, this new assignment could be part of the build-up, since the post is a vantage point for gaining control of the professional party machine.

At this particular juncture, however, Khrushchev is probably more concerned with securing order and effective administration in the party machine at home while he concentrates on delicate negotiations in the international arena than in establishing a successor.

SOVIET PARTY SECRETARIAT**AS OF 1 MARCH 1959****FIRST SECRETARY**

Khrushchev

SECRETARIES

Kirichenko (dismissed)

Brezhnev
Kuusinen
Mukhitdinov
SuslovAristov
Furtseva
Ignatov
Pospelov } (transferred)

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CURRENT**FIRST SECRETARY**

Khrushchev

SECRETARIES

Kozlov (new)

Brezhnev
Kuusinen
Mukhitdinov
Suslov

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secretariat. For example, the assignment in April 1959 of Nikolay Ignatov to a ceremonial post in the Russian Republic (RSFSR) government, an apparent demotion, was apparently an effort to solve secretariat problems. His transfer may not have achieved its purpose, because he was recalled in November to full-time work on the secretariat. The strongest indication that the secretariat was not working smoothly was the loss of influence in mid-1959 of Aleksey Kirichenko, who had

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The release, simultaneously with Kozlov's appointment of five secretaries--Aristov, Pospelov, Kirichenko, Ignatov, and Furtseva--and the subsequent addition of ailing Kliment Voroshilov's job as ceremonial head of the Soviet state to the duties of party secretary Leonid Brezhnev may reflect Kozlov's influence and could indicate that Khrushchev has given him a

relatively free hand in dealing with the secretariat problem.

By doing so, however, Khrushchev has not relinquished control over the essentials of party power. He probably feels today as he did when he said, "I am very jealous of my prerogatives; while I live, I will run the party." [redacted] 25X1

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CUBA

The 7 May announcement of the establishment of relations between the Castrol regime and the Soviet Union formalizes the increasingly close economic and political ties since Mikoyan's visit to Cuba last February, when a five-year trade pact and a \$100,000,000 Soviet credit were announced. The statement said that Soviet-Cuban relations had in effect existed since January 1959, when the USSR recognized the Castro government almost seven years after the USSR's break with the Batista regime. The USSR claims it never recognized Batista after his 1952 coup, although it did not break relations until more than a week after the coup, when Batista officials interfered with Soviet diplomatic couriers going from Mexico to the Cuban Legation in Havana.

of a student-worker group--considered political gangsters--who cooperated with Castro's guerrillas to overthrow Batista. Chaumont is believed to have allowed the Communists to use his now practically defunct Revolutionary Directorate as a front, and in 1959 he was sent by Castro to Communist China, Czechoslovakia, and other countries "to make friends for the Cuban revolution."

A Cuban radio station said on 7 May that a Czech mission had arrived in Havana to conclude a trade agreement. [redacted] 25X1

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The Soviet ambassador to Mexico, who was in Havana for the announcement and for the exchange of ratifications of the recent Soviet-Cuban trade pact, may also have transmitted his government's agreement for Faure Chaumont, chosen as Cuban ambassador to Moscow. Chaumont has few qualifications for a diplomatic post, and the advisers who are to accompany him will play important roles. He has been known primarily as leader

Cuba's oldest newspaper, the strongly anti-Communist, Catholic-supported Diario de la Marina, which has fought an outspoken but losing battle against growing Communist influence in Cuba, was seized on 11 May by unions of its workers after it had published a particularly strong antiregime editorial. This leaves only one paper which still speaks critically of the government and two "independent" dailies which remain out of government

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control by remaining silent on internal political issues.

The takeover of the newspaper will further discourage domestic opposition groups. Leaders of the Christian

Democratic Movement, formed in late 1959 in hopes of solidifying Catholics and other anti-Communists into an overt political opposition, have either fled or are intimidated by the government's growing repressions.

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TRUJILLO'S GROWING INTERNATIONAL ISOLATION

Increasing antipathy in the western hemisphere toward the Trujillo dictatorship is reflected in the recent breaking of diplomatic relations with the Dominican Republic by Colombia and Peru. Venezuela, which broke relations nearly a year ago, is aroused by Dominican involvement in the 20-21 April military uprising against President Betancourt and is pressing for strong action against Trujillo by the Organization of American States (OAS).

Colombia broke relations in protest over the use of its territory by Dominican-supported leaders of the Venezuelan revolt. Ecuador and probably other Latin American nations are considering breaking relations. The Mexican Government may also review its relations policy after the recent assassination in Mexico of a Dominican exile by alleged Trujillo agents. Cuba broke relations with the Dominican Republic about the same time as Venezuela, Uruguay, Honduras, and Bolivia do not maintain diplomatic representation in Ciudad Trujillo.

President Betancourt's regime has reflected a growing impatience and frustration with

what it considers a negative position of the OAS on the Dominican interventionist activities in the Caribbean, especially in light of Trujillo's recent plotting against Venezuela. Top Venezuelan officials hinted even prior to the April uprising that armed action against the Dominican Republic was a strong possibility, and influential Venezuelan pro-Castro elements, who have been causing difficulties for Betancourt's three-party coalition, are in favor of sharp measures in retaliation.

Aside from Betancourt's fear of further Dominican plotting against him, he has a longstanding hatred of Trujillo and seeks his overthrow. He has invited Colombia to join Venezuela in presenting specific charges before the OAS and presumably seeks the denunciation and possibly expulsion of the Dominican regime from the organization. An attempt to solve Caribbean problems outside the framework of the OAS, particularly through bilateral Venezuelan action, would probably damage the prestige of the organization, which has been under frequent attack by Castro and by Latin American Communists as an "instrument of US imperialism."

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TURKISH INTERNAL SITUATION

Political tension remains high in Turkey, although no major demonstrations have occurred since 5 May. Many student leaders in Istanbul, where the rioting began on 28 April, apparently remain in custody, while those not arrested appear to be disorganized. Many students have returned to the smaller cities after the closing of the universities in Istanbul and Ankara.

The opposition Republican People's party (RPP) is waiting

The governing Democratic party (DP) appears to be split between extremists, who favor severe repressive action against the RPP, and moderates, who advocate a speedy return to normal democratic procedures. The extremists have proposed suspension of parliamentary immunity to make possible the arrest of several RPP parliamentary deputies, suppression of the party, and the establishment of "people's courts" to try RPP leaders.



BAYAR



MENDERES



INONU

to see how far the government will go in carrying out repressive measures. The RPP considers the next two weeks as most critical, and RPP leader Inonu has given "firm instructions" that there should be no demonstrations or riots until local reactions become clear. The RPP is "particularly worried" about possible demonstrations in eastern Turkey as news of the Ankara and Istanbul incidents reaches there.

Moderate spokesmen, apparently representing a majority of the DP parliamentary group, opposed these moves and suggested abolishing the investigating commission set up by the National Assembly on 18 April to examine the "illegal and subversive" acts of the RPP--an act which led directly to the present unstable political situation.

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[redacted] Menderes may be considering the dismissal of Minister of Interior Gedik and the removal of Cemal Goktan from his position as general director of the National Police. Both are associated in the public mind with repression of the riots and the deaths of several student demonstrators.

If Menderes has joined with the moderate faction, this could lead to further disagreement between him and President Bayar, long regarded as one of the advocates of repressive measures. At the parliamentary group meetings, Bayar was attacked, along with the interior minister, as

primarily responsible for the present situation.

Relations between Menderes and Bayar have been strained for many years because of their conflicting ambitions. In the past, this rift has always been subordinate to the need for unity in the face of outside pressures. In the present situation, however, with a majority of his party colleagues favoring moderation, Menderes may have decided to adopt a conciliatory course in the hope of regaining popularity within the country and of simultaneously further limiting the influence of a long-time rival for power [redacted]

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PART II

NOTES AND COMMENTS

KHRUSHCHEV'S ECONOMIC PROPOSALS

Khrushchev's speech on 5 May to the Supreme Soviet expressed considerable satisfaction with the USSR's economic achievements and continued optimism over prospects, particularly for the Soviet consumer. Showing characteristic confidence in the country's ability to fulfill the Seven-Year Plan (1959-65) and catch up with the United States, he said repeatedly that the Soviet Union will reach the level of the US in consumer goods in the "immediate future." The Soviet people, Khrushchev said, will then "enter the open sea, in which no comparisons with capitalism will anchor us.... We will plow deeper and wider furrows in people's minds and show them that it is not capitalism, but Communism, which gives people all the opportunities for the best possible life on earth."

Abolition of Some Taxes

As one step in this process, Khrushchev outlined a plan for the gradual elimination of personal income taxes and the tax on bachelors by 1965, a move which would raise the take-home pay of almost all employed persons except collective farmers, those in producers' cooperatives, military personnel, and some professionals.

Under this measure, seven out of eight Soviet workers will have their monthly take-home pay increased 1.5 to 12 percent. Persons with relative-

ly high monthly incomes, however, will have wages or salary reductions which will partially or wholly offset the tax reductions, but in no case will the take-home pay of an individual be reduced. Collective farmers do not pay the personal income tax. The so-called "agricultural tax," which amounts to a tax on the income obtained by collective farmers from their private plots, is to be retained.

Because workers with monthly incomes above 2,000 rubles will get no increase in take-home pay and those with monthly incomes between 1,200 and 2,000 rubles will receive relatively small increases, the tax abolition will be of greatest benefit to workers earning between 700 and 1,200 rubles per month. The abolition of the taxes, in the absence of offsetting forces, will thus tend to narrow differentials in take-home pay between low- and high-paid workers.

Revenues from the income and bachelor taxes amount to only 45.6 billion rubles or 6.8 percent of total budget revenue in 1958. Plans for 1959 and 1960, however, called for an increase of 65 billion rubles in the tax on profits of state enterprises alone. The small part of total budget revenue provided by the taxes to be eliminated can thus be obtained readily from other sources, and Khrushchev's plan will offer benefits to the population at minimum cost to the state. It will not, however, relieve the taxpayer of his burdens, as Khrushchev claims, because

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the burden of the indirect taxes which support the Soviet system will continue to fall on the Soviet consumer.

Khrushchev explicitly recognized the need to provide additional consumer goods and services in order to absorb the increased purchasing power generated by the tax abolition, but was very vague regarding the provision of such goods. This problem can be postponed to the next plan period, however, since the major impact of the

measure will not be felt until 1965. There will be very little immediate effect on consumer welfare.

Shortening of Workweek

Khrushchev reiterated the goal of a 41-hour workweek for all except collective farmers by the end of 1960, and of starting on a 35-hour workweek in 1964. Less than 30 percent of the 58,000,000 workers now have the 41-hour workweek, however, and the changeover has hardly begun outside of heavy industry. The ability to carry out the cut in man-hours while continuing to increase output depends on more efficient use of labor and on technological improvements.

Currency and Price Change

Khrushchev announced on 5 May that a revaluation of Soviet currency and domestic prices will become effective at the beginning of 1961. This move will entail a 90-percent across-the-board reduction of all prices, accompanied by the issuance of one new, or "heavy," ruble for ten of the present rubles, with exchange permitted over a three-month period. Khrushchev emphasized that these measures

USSR: SCHEDULE FOR ABOLITION OF INCOME TAXES

Personal Monthly Incomes (in rubles)	Schedule (effective 1 October of year given)	
	Reduction	Abolition
371 - 500		1960
501 - 600	1960	1961
601 - 700	1961	1962
701 - 800	1962	1965
801 - 900	1963	1965
901 - 1000	1964	1965
Over 1000		1965* (accompanied by wage cuts)

1965 SCHEDULE OF WAGE CUTS

Personal Monthly Incomes (in rubles)	Percent of Abolished Tax
1001 - 1200	21
1201 - 1400	54
1401 - 1600	71
1601 - 1800	85
1801 - 2000	90
Over 2000	100

The value of these salary rubles, in terms of purchasing power, is approximately reflected by the tourist rate of 10 rubles equals one dollar.

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will leave price relationships in the economy unchanged and pointed out, "The population will be able to acquire with its income the same quantity of commodities as before."

Although Khrushchev claims the measure will simplify book-keeping, make the use of automatic vending machines more feasible, and contribute to "the rational use of material, labor, and monetary means," the primary importance of the change is from the standpoint of Soviet relations with the rest of the world. By assigning a new and higher gold content to the ruble, hence raising its official exchange rate, Soviet leaders will try to demonstrate the growing international power and prestige of the Soviet economy. Thus these adjustments may be used for a major propaganda effort.

The degree of appreciation of the ruble for foreign trade has still to be determined by Soviet financial authorities, but it appears likely that the new gold content will make the ruble (now .222 gram) roughly equivalent to the US dollar (.888 gram) at the same time that its internal value is increased by ten. This action, in effect, would depreciate the heretofore considerably overstated value of their foreign trade currency relative to their internal currency. With such a change, domestic and external prices as a whole would be brought into a more reasonable relationship; e.g., prices of goods moving in Soviet foreign

trade would be somewhat closer to their internal prices.

An unrealistic exchange rate among Soviet bloc countries has handicapped economic planning for the bloc as a whole and has stood in the way of merging the seven separate satellite markets into a single market area for certain products. It is expected, however, that bloc exchange rates will be adjusted along with the Soviet change to reflect more accurately the relation of the internal purchasing powers of the various bloc currencies to that of the Soviet ruble and with Western currencies.

Building Materials

In his final speech to the Supreme Soviet on 7 May, Khrushchev limited discussion of economic affairs to a call for greater development in the building materials industry--especially cement. He warned that further lags in adding new building materials capacity must be prevented, or resulting shortages would pose a threat to the investment program of the Seven-Year Plan. Similar criticism has been prevalent for years. In recent years, the over-all volume of construction has been increasing at a rate substantially greater than called for under the plan, but the rate of increase in production of building materials has not been keeping pace. [REDACTED]

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EAST GERMAN REGIME CRACKS DOWN ON EVANGELICAL CHURCH

The Ulbricht regime appears determined to crush the Evangelical Church, the only effective opposition force in East Germany, by cutting off its financial support from West Germany. Such a move may well be followed by an offer to pay the church's pastors and other expenses in an attempt to make it financially dependent on the regime and to increase its susceptibility to Communist pressure. If this were achieved, Ulbricht would be free to sever remaining ties between the church in East Germany and its leaders in West Berlin and West Germany.

One of the few remaining independent sources of church revenue is that derived from church-owned farmland, and this is beginning to come under regime control. As part of the collectivization drive, pressure is being put on farmers cultivating these lands to join collectives and on the church itself to lease the lands to collectives. Although the church has resisted this pressure, its officials in some cases reportedly have permitted the lands to be incorporated into collectives. Ministers of churches which derive revenue from these leases reportedly are finding it increasingly difficult to refuse to cooperate with the regime.

West German leaders are greatly concerned over the prospects of a further weakening of ties between the church in East and West Germany. Chancellor Adenauer has told a West German church representative he would take up the matter with President Eisenhower in Paris with the aim of having the President bring pressure on Khrushchev to stop Ulbricht from staging a showdown with the church.

In the past the regime has permitted West German church officials to purchase certain commodities in West Germany for delivery to East German enterprises and in return has made the proceeds available to the church in East Germany.

The Evangelical Church has already been placed under heavy pressure as a result of the regime's determination to silence public criticism by churchmen of the coercive methods used to collectivize peasants. A variety of pressures has been used to elicit expressions of approval from rural ministers to "prove" that the church actually supports the "socialist" system.

West German officials of the Economics Ministry, however, view economic reprisals as ineffective, since goods denied by the Federal Republic could easily be purchased elsewhere, and they fear they would invite retaliation against West Berlin.

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CHOU CONTINUES SWING THROUGH SOUTHEAST ASIA

Premier Chou En-lai's visit to Cambodia from 5 to 9 May-- at a time of increased Cambodian - South Vietnamese frictions --provided the Chinese Communists with the opportunity to encourage Sihanouk's neutral position and counterbalance American influence there. Chou presided at the inauguration of a textile mill completed with part of the \$28,000,000 already granted Cambodia and, in a display of concern for Cambodia sensibilities, called on Chinese in the country to obey the laws of the land. Prince Sihanouk said the visit was the "most successful" by a foreign leader, but he made it clear that Cambodia's neutrality includes acceptance of aid from the United States and France as well as China.

Despite rumors that Chou would guarantee Cambodian borders against South Vietnam, the Chinese premier made no commitment and confined himself to an expression of moral support for Phnom Penh. With Sihanouk, he toured the islands in the Gulf of Siam which are in dispute with South Vietnam and later stated at a press conference that encroachment by any neighboring country would be unjust and should be condemned. In the joint communiqué issued on 9 May, Chou endorsed Phnom Penh's policy of "strict neutrality," and both sides affirmed their belief that the preservation of peace lay in respecting the agreements already concluded between the two countries.

No additional Chinese economic aid was announced, but

both sides affirmed their desire for further cooperation in "all fields."

The joint communiqué expressed the hope that agreements on the question of banning nuclear weapons and on general disarmament would be reached at the summit conference. Similar statements were incorporated in the communiqué issued after Chou's recent visits to Burma, India, and Nepal. Chou's desire for an Asian "summit meeting" is indicated by his press conference statement calling for the convocation of another Bandung-type meeting of Asian and African nations.

Sihanouk apparently decided to use the visit to highlight Communist China's support of Cambodia's foreign policy, hoping this would give South Vietnam and Thailand cause to reconsider any hostile designs on Cambodia. Sihanouk and Premier Pho Proeung accepted an invitation to visit Communist China in the future.

Chou arrived on 9 May in North Vietnam, where he will probably discuss the situation in Laos--particularly the recent elections and the efforts of the Neo Lao Hak Sat to function as a legal political party. Except for a single Hanoi commentary, there has been no Peiping-Hanoi propaganda reaction to the Laotian elections, suggesting that the Communists will refrain from a major propaganda campaign--at least until a premier is appointed and the situation clarified.

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GROWING CRITICISM OF DIEM REGIME IN SOUTH VIETNAM

South Vietnamese President Diem, beset with a serious challenge from resurgent Communist guerrilla forces, also faces a growing problem of dissatisfaction among officials of his own regime, as well as among the public. Diem is taking urgent steps--chiefly military--in an effort to redress the internal security situation, but shows no inclination to liberalize his regime despite growing criticism. This attitude is consistent with his tough-mindedness and with his belief that the exigencies of the times require authoritarian rule.

A number of important Vietnamese figures, including high government officials, labor organizers, members of the National Assembly, and leaders of political parties, have privately expressed discontent and frustration with their "puppet" roles. Their complaint is that Diem's refusal to delegate authority beyond a tight circle of relatives and close associates has paralyzed effective government, fostered favoritism and corruption, alienated the people, and facilitated Communist subversion. Vice President Nguyen Ngoc Tho and other cabinet members fear for the government's stability unless political reforms are undertaken immediately.

A principal cause for widespread resentment is the pervasive influence of the Can Lao, a semicovert organization which exercises the real power and control in the government on Diem's behalf. Under the direction of Diem's brother and chief political adviser, Ngo Dinh Nhu, the Can Lao had gradually fashioned a commissar-like network throughout the government's political and military substructure.

Diem thus far has refused to acknowledge any serious shortcomings in his entourage, and brushes off critics of the regime as either opportunists, crackpots, or crypto-Communists. He has dismissed as "inconsequential" the public petition for more democratic practices issued in Saigon recently by a group of former Vietnamese government officials and civic leaders. This unprecedented attack on the Diem regime by a cohesive, non-Communist group, however, could be the forerunner of developments similar to those in South Korea which resulted in the overthrow of the Rhee regime. While this does not seem an immediate likelihood, Communist subversion--which has already gained a toehold in certain rural areas--is a particularly dangerous factor in the over-all situation.

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SOUTH KOREA

The South Korean National Assembly is moving toward amendment of the constitution to reduce the powers of the president and establish a cabinet with a prime minister responsible to the legislature. Sporadic demonstrations have continued on a reduced scale calling for the resignation of the incumbent assembly, but the majority of students and the general public seem willing to have the changes made by the present legislature. Any prolonged delay, however, by the assembly or the Huh administration in reforming the government or holding new assembly elections could provoke new widespread disturbances.

The assembly on 5 May opened public hearings on the

proposed constitutional changes. Those testifying generally approved the establishment of a responsible cabinet system headed by a prime minister, supported election by the legislature of a president with drastically restricted powers, and agreed that the incumbent assembly need not be dissolved prior to amendment of the constitution. They objected, however, to the assembly's draft provisions restricting freedom of speech, press, and assembly, as well as to proposed emergency powers. According to unconfirmed press reports, the legislature will vote on the measure about mid-June, and elections for a new assembly will be called within the next 30 days.

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In early May, Acting Chief of State Huh Chung said the time required to draw up new voting lists and make other preparations would make it difficult to hold the elections within the prescribed legal time limits. The minority Democratic party then charged in the assembly that local officials were deliberately delaying preparations for the elec-

prehensive over the development of a strong leftist opposition party. A senior government official recently attributed the continuing demonstrations in Pusan to an alliance of former Progressive party members and college professors. The official allegedly feared that a "socialist uprising" in the area was imminent.



YI CHONG-CHAN



SONG YO-CHAN

tion, and Home Minister Yi Ho on 10 May promised that the government would do its best to hold the elections on time.

Huh, while assuring Ambassador McConaughy that the elections would be completely free, has pointed out that members of the former Progressive party, which Huh equated with the Communists, will be elected to a new assembly. The late Progressive party leader Cho Pong-am, who was executed last year by the Rhee regime, polled over 2,000,000 votes against 5,000,000 for Rhee in the 1956 presidential elections.

Both Rhee's Liberal party and the conservative opposition Democratic party have been ap-

New Minister of Defense Yi Chong-chan, following a visit to Pusan, reported to the Huh cabinet on 9 May that law and order had been restored throughout the country. He found no evidence of Communist instigation of the Pusan demonstrations. The United States Eighth Army has commented that martial law commander Song confirmed that there was no evidence of Communist instigation, although some Communist pamphlets had recently been uncovered in the area.

Song, who has expressed concern over the threat of Communist agent exploitation of the present unrest, reportedly has been in favor of using whatever means are necessary to suppress any further disturbances, but has employed only moderate force to break up demonstrations. Yi insists that the demonstrations be permitted and that martial law be ended as soon as possible so the army can return to its regular duties.

Commenting on foreign affairs, Hu Chung has explained that his recent demand that Tokyo stop the repatriation of

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Koreans in Japan to North Korea was not a prerequisite to a resumption of negotiations but a precondition for a final settlement. It now appears that in the recently reported shooting incident involving a Japanese fishing boat, a Korean police patrol boat fired four

rounds of blank ammunition. The embassy notes that the incident, which apparently did not involve the South Korean Coast Guard, does not invalidate Huh's assertion that further seizures of Japanese fishing boats will be avoided.

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MIDDLE EAST HIGHLIGHTS

Lebanon

The Karami cabinet in Lebanon resigned on 11 May in preparation for the parliamentary elections beginning 12 June and ending 3 July. A neutral caretaker government will take over in the interim. Now that dates have been set for the election, the pace of political maneuvering has increased.

An unexpected development is the reconciliation between former President Chamoun and Maronite Patriarch Maushi, bitter political enemies since 1952 when President Bishara al-Khuri, a relative of Maushi, was ousted from office. The recent accord apparently was a by-product of the 1 May incident in which Moslem-directed police fired on a crowd of Maronites attending a pontifical mass. The Maushi-Chamoun entente is most likely to move to offset the influence of Minister of Works Pierre Jumayyil, leader of the Phalange, the political action arm of the Maronite

Church. President Shihab can only be displeased at the patriarch's joining forces with Shihab's most bitter enemy.

Iraq

The Qasim regime, trying to block an attempt by antiregime National Democratic party elements to seize control of the party, has nullified the election of party officers representing the faction led by Kamil Chadirchi. The Chadirchi faction has been demanding the withdrawal of the party's support for the Qasim regime, while the group led by Muhammad Hadid, minister of finance who resigned on 27 April, has insisted on the party's participation in the government.

The Chadirchi faction, apparently by refusing voting credentials to its opponents at the party convention, secured "unanimous" election of its

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slate of officers to the party's "administrative committee." An Iraqi judge, who was present in accordance with the law regarding political parties, declared the election illegal because of a lack of a quorum; the Chadirchi faction has appealed to the Ministry of Interior to upset the judge's ruling.

The splinter Communist faction led by Daud Sayigh which received legal recognition by the Qasim regime in February is running into organizational difficulties. Lacking a solid body of supporters, it has been delaying holding its legally required convention. The group's difficulties have engendered numerous rumors regarding its fate and future course of action. One of these centers around negotiations between Sayigh and the orthodox Communists, who have been refused a license to operate.

Qasim is said to be urging re-union of the two groups, while promising Sayigh to "freeze" the activities of some of the more prominent and forceful leaders of the orthodox faction. Another possibility is that the Chadirchi wing of the NDP will form a coalition with Sayigh's group, whose members might be termed nationalist Communists.

Relations between Iraqis and American officials in Baghdad are gradually improving. At recent social events, Iraqi officers have made a point of telling American personnel about their opposition to Communism and their friendliness to the

United States. The commander of the troops guarding Radio Baghdad has stated that Qasim, in a meeting with him on 6 May, expressed strong sentiments against the Communists and intimated that he would continue actions to undermine them.

Arab Boycott Ends

The Arab press, radio, and officials spent most of the week crowing over the "victory" of Arab unity signaled by the 6 May decision of the Seamen's International Union to cease picketing the UAR ship Cleopatra in New York. Despite the public display of solidarity maintained during the seven-day Arab boycott of American vessels, its end was probably greeted with relief by officials of most Arab governments. Official support in such states as Lebanon and Libya was lukewarm at best, given only in order to avoid standing on the wrong side of an issue which had assumed enormous proportions in the public eye.

UAR President Nasir, capitalizing on the affair, delivered a stinging speech on 7 May against the United States and the alleged Zionist influence behind the Cleopatra picketing as well as the Congressional amendment to the Mutual Security Act. The following day, by contrast, he praised the USSR for the "unconditional" aid it had furnished the UAR. The two performances were models illustrating the policy he has often described as "befriending those who befriend us and antagonizing those who antagonize us."

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Jordan

King Husayn's absence from Jordan on a trip which ends on 16 May and the presence in his entourage of several key government and military figures, together with the scheduled visit to Iran by the director of public security, reflect an apparent confidence on the part of the regime that the country's internal security is under adequate control. The regime remains concerned about subversive activity, particularly that emanating from Syria.

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The eight people implicated in the plot to assassinate Prime Minister Majalli and the King's uncle, Sharif Nasir, were sentenced on 4 May. The alleged organizers of the plot, former Jordanian Army Chief of Staff Ali Abu Nuwar and former Foreign Minister Abdullah Rimawi, a Baathist, were sentenced in absentia to 15 years in prison. They are in exile in Syria.

Husayn apparently still clings to his ambitious designs on Syria and Iraq.

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The American army attaché in Amman, however, now doubts that the Jordanian Army, because of the damage sustained in a warehouse fire on 3 May, in which more than \$500,000 worth of military supplies were destroyed, could contemplate any serious military operations until the losses are replaced.

Arab League

One of the results of Husayn's visit to Morocco

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is that the King was given to understand that Morocco would support Jordan vis-a-vis the UAR within the Arab League. UAR-Jordanian differences, which at league meetings have centered on Palestine "entity" proposals, will again be aired at an Arab League meeting at the foreign ministers' level to be held in Beirut sometime between 20 and 25 June. Scheduling of the meeting for Beirut presumably will result in attendance by the Iraqis, who have boycotted the league's meetings in Cairo.

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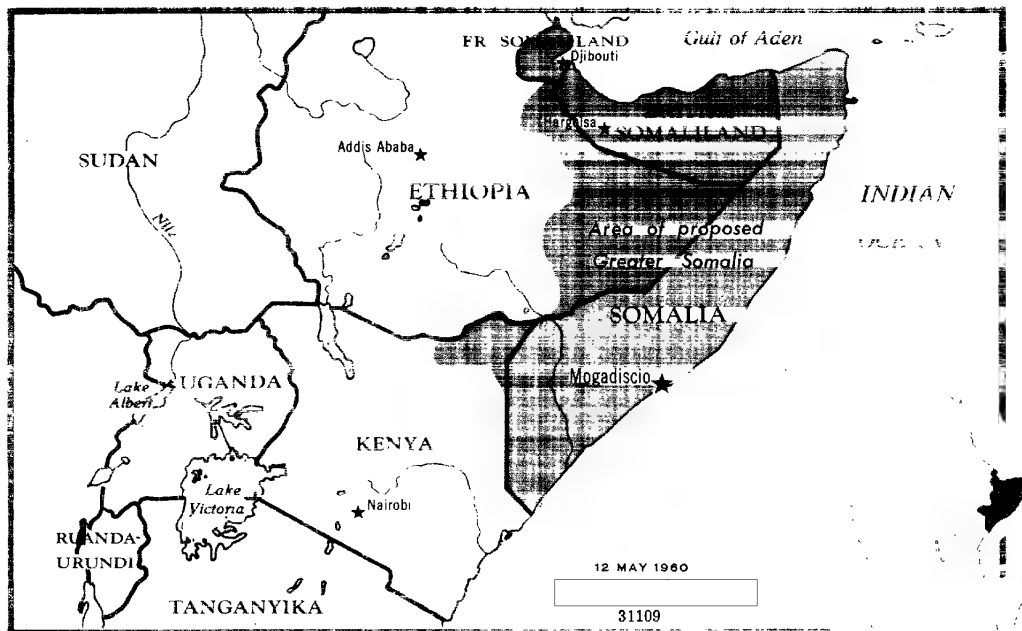
ETHIOPIAN-SOMALI RELATIONS

The imminent independence and union for the British Somaliland protectorate and the Italian-administered trust territory of Somalia has increased apprehension in Addis Ababa over the integrity of the Ethiopian empire, which includes a sizable Somali minority. Ethiopia suspects that acquiescence by Britain and Italy to Somali nationalist demands is part of an effort to maintain colonial influence in the Horn of Africa.

Tension, beyond the normal friction between Ethiopian po-

strong since February that Britain has abandoned its time-tables for the protectorate's political evolution and has agreed to independence by 1 July.

Despite British disclaimers of support for Somali expansionism, Ethiopia was particularly alarmed at the statement issued in late April by representatives of the two Somali states following a conference to discuss the possibilities of union and creation of a common government. This statement envisioned the Somali union as



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lice and the nomadic tribesmen from the British Somaliland protectorate, is mounting as Christian-dominated Ethiopia feels increasingly imperiled by Moslem Somali nationalism. Addis Ababa was resigned to the independence of the Italian trust territory of Somali on 1 July 1960, but the rush of the British protectorate to freedom has created new problems. Nationalism there has become so

the "first practical step" toward the creation of a Greater Somalia--a concept which seeks to include 600,000 Ethiopian Somalis in a Somali nation of about 3,000,000.

Addis Ababa for some time has been reinforcing its security forces in the Somali-inhabited areas, which constitute about one third of the total of the country, and the

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Emperor on 11 May based his request for more American military equipment on the danger of aggression from Somali territory. Moscow offered on 30 April to provide Ethiopia with arms and military equipment,

Its controlled press has charged that the Somali Union is a "neo-imperialist scheme" designed to serve the purposes of the former "colonial masters" of the area--Britain and Italy.

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DISORDERS IN THE BELGIAN CONGO

Disorders in the Belgian Congo--including anti-European demonstrations and scattered strikes--have resulted in a serious deterioration of internal security. Local police have failed to intervene effectively in recent instances of violence. The period leading up to Congolese independence on 30 June will probably be marked by new disorders, particularly since Belgian authorities seem disinclined to take strong countermeasures.

The agency responsible for internal security in the Congo remains the 28,000-man, Belgian-officered Force Publique. Despite occasional reports which have cast doubt on its political reliability, the Force Publique to date has stayed aloof from Congolese politics and has been a major stabilizing factor in the

colony. In the past year, however, it has been hard pressed to maintain order between the Lulua and Baluba tribes in Kasai Province, where intermittent warfare has cost several hundred lives.

More recently, the maintenance of order has been made more difficult by the general excitement of the populace in anticipation of independence, the inability of Congolese leaders to control their followers, and an apparent abdication by some Belgian administrators of their responsibilities.

New outbreaks in the Lulua-Baluba war in early May coincided with riots at Stanleyville, where cars of Europeans were stoned on 3 May in the first major anti-European

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demonstration of the pre-election period. The Stanleyville incident--which may have stemmed from election passions in the area--was followed by trib-

early May appear to have been stimulated by agitators associated with various African political parties. Although the strikes have been condemned by union leaders, the

Belgian administration has done little to restore order. Since the large mining firms in Katanga Province are owned by Europeans, the strikes could take on a noticeable anti-European bias if not brought under control.

Sentiment for the establishment of a Katanga state independent of the Congo on 30 June remains strong in the Elisabethville area; it would probably increase in the event of a further deterioration in the security situation. Belgian airlines reportedly have chartered 80 special flights between 10 May and 30 June for Belgian residents wanting to leave the Congo, and shipping lines report record waiting lists. Many Belgians are delaying their departures because of exchange restrictions which permit them to transfer only \$200 per month from the Congo.



al clashes in Leopoldville Province on 7 and 8 May. Efforts by the Force Publique to restore order resulted in incidents between the soldiers and local police, who accused the Force Publique of acting from tribal prejudice.

In Katanga Province, strikes which have occurred since

TENSION IN MALI

Acute tension has developed between Senegal and Soudan--the component states of the French Community's Mali Federation--over constitutional and political issues which should be

settled before Mali becomes independent next month. However, compromise arrangements, which will preserve the federation and leave the door open for the possible future entry of

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additional states, will probably be worked out.

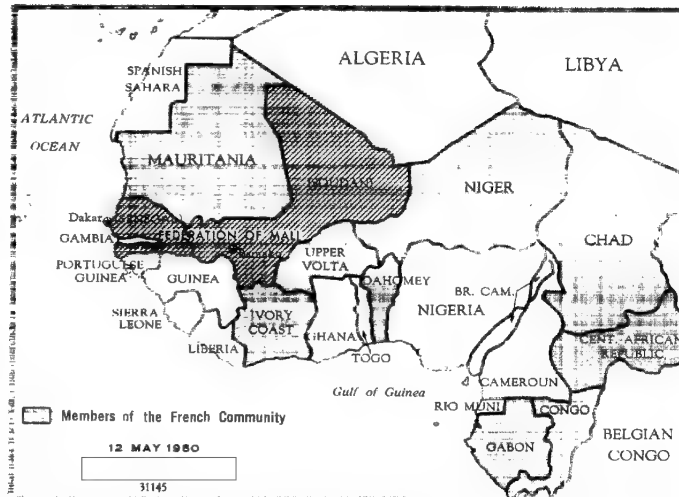
Mali has been troubled by friction between its Senegalese and Soudanese partners since its creation in January 1959. Much of this discord has been on constitutional issues. The Soudanese generally favor a highly centralized unitary state, while most Senegalese leaders want to retain the present federal structure which gives the constituent states extensive autonomy.

A head-on clash had been avoided until last week, when discussions began between the two states on the distribution of the new powers Mali will assume when it becomes --probably during the first week of June-- the Community's first fully independent African state. The talks were immediately confronted with rival claims to the new federal portfolios of defense and foreign affairs and differing stands on the federation's constitution, especially regarding the position of the chief of state.

The Senegalese, who regard themselves as the natural leaders of France's former colonies in West Africa, pressed for the establishment of a new office of "president of the republic"--to be held, at least initially, by a Senegalese. This bid was rejected by the Soudanese, whose leader, Modibo Keita, holds the present top-ranking Mali post of "president of the government."

After three days of increasingly bitter wrangling, which reportedly included Soudanese

threats to secede from Mali, the talks were broken off and the developing crisis was referred to Mali's top policy-making authority--the executive bureau of the dominant African Federation party. This body, which met in Dakar on 7 and 8 May, ap-



parently reached agreement quickly on the "principles" which should govern constitutional revision. However, it left to a special 10-man commission the task of working out--by 20 May--the details of a compromise which will presumably allocate a share of the new federal powers and prerogatives to each state.

Such arrangements may well lead to increased influence on the federal level for Soudanese elements with a predilection toward friendship and ties with the Sino-Soviet bloc and could put them in a position to determine in large measure Mali's foreign policy orientation. Their leader, Soudanese Interior Minister Madeira Keita, has been advanced as one of Soudan's candidates for the new federal ministerial posts.

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FRENCH BASES IN AFRICA

Recent French negotiations concerning bases in Africa suggest that Paris's long-term plans for the defense of Africa and Europe's southern approaches will center on a few major air and naval bases in Africa.

French forces in Morocco and Tunisia have been cut gradually, but France insists it will not withdraw entirely. Paris maintains that French operation of Bizerte is not negotiable because it controls the

critical central Mediterranean area and "atom-proof" storage facilities have been installed there. In Morocco, France is adhering to a fine legalistic line on the present turnover of outlying bases jointly occupied with the United States, presumably in an effort to strengthen its claim to Kenitra. There are indications that Paris has begun to soften on the other French facilities in Morocco, primarily air and naval air training stations. It wants to hold Kenitra for air defense and protection of lines of communication between France and West Africa.

Paris has carefully guarded its right to strategic bases in French Community territories scheduled for independence in June. The pre-independence agreement between France and Mali "cedes" to France the rights

to Dakar and several other bases "for defense of the Community." Similarly, the Malagasy Republic will grant France "free use" of Diego Suarez and three other sites. Dakar is a modernized



There are hints of some French willingness to give up eventually all bases in independent African states except Bizerte, Kenitra (formerly Port Lyautey), Dakar, and Diego Suarez.

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base equipped to support major operations in wartime. Diego Suarez, whose importance would be greatly enhanced if use of the Suez Canal were denied, has anchorage for up to 200 naval vessels in numerous sheltered bays which would provide considerable protection against blast in a nuclear attack.

De Gaulle's view that the defense of Africa is an integral part of the defense of Europe

has led him to insist that African security should be organized among the Western allies "as it is in Europe." Paris maintains that its Bizerte base serves a function similar to that of the British base at Cyprus 25X1

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TAMBRONI GOVERNMENT'S DIFFICULTIES

Premier Tambroni's caretaker Christian Democratic government faces continued attack from the small democratic parties which backed earlier governments, and possible revolt by Christian Democrats who object to his parliamentary dependence on the neo-Fascists.

Democratic Socialist leader Saragat had urged that the Chamber of Deputies reopen the investiture debate on the grounds that Tambroni achieved his victory through two inconsistent positions: he accepted neo-Fascist support in the lower house, but repudiated it in the Senate, where he had a majority without it. Chamber President Leone, a Christian Democrat, ruled, however, that Tambroni had fulfilled constitutional requirements simply by obtaining a majority in both houses.

In addition to the Democratic Socialists, spokesmen for the Republicans, Liberals, and Nenni Socialists opposed Leone's decision, but did not challenge it formally. No issue was made of the constitutional requirement that approval by both houses of parliament must be obtained within ten days of

a premier's investiture. Tambroni's government was invested on 26 March, but the Senate vote did not take place until 29 April.

Even if the Christian Democrats can avoid a party crisis at their national council meeting reportedly planned for the last week of May, government-sponsored legislation faces formidable obstacles in the lower house, where the composition of several important committees does not reflect the majority combination of Christian Democrats and neo-Fascists on which Tambroni depends.

Some center politicians believe the Tambroni regime may seriously endanger parliamentary government, and that Tambroni himself would not be averse to using extraconstitutional tactics -- possibly a show of force by the Carabinieri or by hoodlums from among his neo-Fascist allies -- in an attempt to remain in power. Such a situation might arise after the budget is approved if there is then pressure from left-wing Christian Democrats for a broader legislative program than Tambroni could enact with his present allies.

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PART III

PATTERNS AND PERSPECTIVES

BLOC ECONOMIC RELATIONS WITH CUBA

The Soviet Union, with active support from the European satellites, is consolidating its initial economic ties with Cuba in an effort to lay the foundations for a long-term



Mikoyan opens Soviet exhibition in Havana, February 1960

economic relationship. Mikoyan's visit to Cuba last February resulted in the first formal economic ties between the Castro regime and the bloc, signaling a shift from cautious Soviet endorsement of the Cuban revolution to active support for the new regime. On 7 May, Cuba renewed diplomatic relations with the USSR and agreed to establish missions on the embassy level.

Prior to this year, bloc economic contacts were limited to sugar imports by the USSR and a few Czech sales to Cuba. Since Mikoyan's visit, East Germany and Poland have followed the Soviet lead in concluding bilateral trade agreements with Cuba, and details now are being worked out in Havana for an agreement with Czechoslovakia.

Present activity suggests that considerable care is being

taken to ensure successful implementation of new contracts, and the bloc probably will complete the year with a record of filled commitments. Prospects that the Sino-Soviet bloc might take over the US economic position in Cuba are remote, but the present economic agreements are already being hailed by both parties as a significant victory over "Western imperialism" and as adequate vindication for the propaganda claims about the new ties.

Soviet Trade Pact

The USSR is committed to purchase 1,000,000 tons of Cuban sugar annually for the next five years--four times the recent average. Barter provisions call for 20 percent of the USSR's imports during 1961-64 to be paid for in US dollars and 80 percent to be covered by shipments of Soviet goods.

In order to ensure complete and rapid fulfillment during 1960, the text of the agreement specifies that only the 425,000 tons of this year's total commitments

SINO-SOVIET BLOC SUGAR IMPORTS FROM CUBA

		VOLUME (TONS)	VALUE (MILLION DOLLARS)
SHIPPED IN 1959	USSR	270,000	16.6
	OTHER BLOC	—	—
	TOTAL	270,000	16.6 (3.5% OF VALUE OF TOTAL CUBAN SUGAR SALES)
SCHEDULED FOR 1960	USSR	1,000,000	66.5
	POLAND	150,000	10.2
	COMMUNIST CHINA	130,000	8.6
	EAST GERMANY	60,000	4.2
	TOTAL	1,340,000	89.5 (15% OF ESTIMATED VALUE OF TOTAL CUBAN SUGAR SALES)

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which were purchased after the signing of the trade pact will be on a bartered basis, and that earlier purchases, totaling 575,000 tons, will be paid for in cash. This arrangement should

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forestall the initial difficulties often experienced by underdeveloped countries in arranging to purchase bloc industrial goods as provided under the bloc's bilateral trade agreements.

The Soviet Union is rapidly concluding contracts and scheduling shipments of goods called for in 1960, almost all of which are raw materials easily shipped on short notice. A Soviet tanker arrived with a cargo of crude oil on 18 April as the first shipment under a \$12,000,000 contract calling for 600,000 tons of petroleum, half in crude and half in refined products. Subsequent shipments have now arrived and will continue for several months. Almost all the trade is being carried in Soviet vessels--some on scheduled runs from the Baltic--in an effort, however uneconomical, to underscore the Soviet presence in the Caribbean.

Other Soviet barter goods specified for 1960, such as wheat, pig iron, and fertilizers, are arriving in quantities which will quickly use up the \$30,000,000 necessary to balance this year's sugar commitment. While this trade is minor in terms of total Cuban imports, it will serve both sides as superficial evidence that the new ties are paying off.

A more accurate appraisal of Soviet-Cuban economic relations awaits developments next year, when Cuba is to import Soviet goods worth nearly twice as much as this year's purchases to balance sugar shipments and, in addition, begin receiving Soviet industrial products under the \$100,000,000 credit. Difficulties are likely at that time, and lengthy negotiations and sound planning

will be required if Cuba is to benefit.

Satellite and Chinese Activity

Since the autumn of 1959, the leading European satellites have stepped up their commercial activities in Cuba to exploit the readiness of the Castro government to nurture relations with the bloc. After several months of intermittent negotiations, a one-year trade agreement was concluded with East Germany calling initially for the barter of 60,000 tons of sugar for East German machinery and small industrial plants. The results, although admittedly just a beginning, are unexpectedly meager after the grandiose hopes expressed earlier for a long-term pact worth some \$200,000,000. An East German commercial mission is in Havana to promote further transactions.

A one-year trade agreement with Poland signed on 31 March provides the framework for delivery of Polish industrial goods, including ships, small plants, and light, commercial types of aircraft in exchange for Cuban sugar, minerals, metals, and other raw materials. On 30 April a new Polish order for 50,000 tons of sugar was concluded at world market prices.

Czechoslovakia has for several years been the most active satellite in promoting trade with Cuba. Heretofore the only bloc source of Cuban imports, the Czechs have established a trade mission in Havana and are working chiefly through the powerful Institute of Agrarian Reform to supply trucks, automobiles, tractors, mining machinery, and construction equipment in exchange for Cuban sugar and some iron ore. No sizable shipments of Czech goods are

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known to have arrived in Cuba, but a few Czech technicians are present to train Cubans in the use of bloc machinery and to negotiate for further shipments.

Communist China, perhaps the strongest bloc supporter of the present Cuban Government, is not expected to play a prominent role in the bloc's economic program in Cuba. Chinese sugar orders for 1960 total 130,000 tons, worth \$8,600,000. These sales have been strictly for cash, and additional large Chinese purchases are unlikely. Peiping probably will not be extravagant with its foreign exchange reserves, even for political reasons, for the luxury of increased sugar consumption. The possibility of a formal trade arrangement might offer barter opportunities, but this probably would be confined to a token effort to back up exaggerated Chinese propaganda support.

Bloc Economic Assistance

Real efforts toward implementation of the Soviet Union's \$100,000,000 line of credit are not yet under way. This credit, the only specific credit offer yet extended to Cuba by the bloc, is the standard Soviet gambit when timing for maximum political impact is desired and a sound development program has not been prepared. The credit is to cover the costs of capital equipment imports and technical assistance for new industrial plans to be undertaken during a five-year period beginning in 1961. The first projects envisaged at this stage are a steel mill and an oil refinery; the latter is probably intended to process Soviet crude oil in order to reduce Cuba's present de-

pendence on privately owned refineries and Western oil sources.

In terms of Cuban development goals, the Soviet credit is small, but successful utilization will serve to increase trade, and the 12-year repayment terms in Cuban goods assure economic ties over some 17 years. By the end of 1960, Soviet technicians should be coming to Cuba to undertake surveys.

There is no reliable evidence indicating arrangements for the delivery of bloc military aid to Cuba, although rumors of such deals have been rampant for nearly a year, particularly regarding possible sales of bloc combat jet aircraft. Cuban representatives are known to have visited the bloc, possibly in search of MIGs, but apparently without success.

In view of Castro's intense desire to obtain military equipment, Cuban officials almost certainly pressed Mikoyan for some military aid during his visit. At a reception in Cuba on 12 February, when asked whether the USSR would sell planes to the Cuban Government, Mikoyan replied that it would if requested, but before leaving Havana he denied to the press that the issue of such sales had ever been raised. Subsequently he stressed that the Cuban people need "tractors and plows...not military planes."

The bloc's refusal to provide the Cuban Government with military equipment at this time reflects Moscow's decision to avoid this type of provocative action prior to the summit and during a period of "peaceful coexistence."

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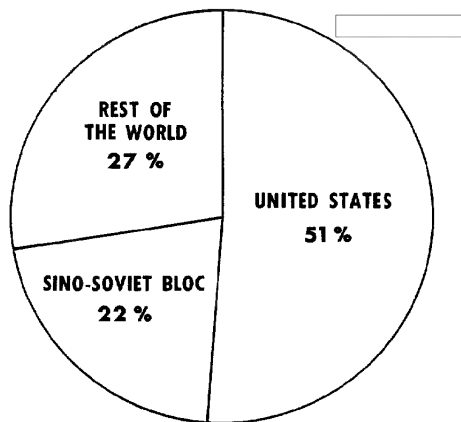
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Significance to Cuba

The most important change brought about by Havana's new bloc economic contacts is that, for the first time, Cuba will

ESTIMATED DISTRIBUTION OF CUBA'S 1960 SUGAR EXPORTS
BASED ON TOTAL VOLUME OF 6,100,000 TONS



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begin to accept significant amounts of bloc goods instead of cash payments for its sugar sales. The effects of this change will not be pronounced until 1961, as more than half of this year's sales to the bloc have been for cash and the barter provisions for 1960 with the USSR are easily fulfilled by diverting raw material imports from Western to bloc sources.

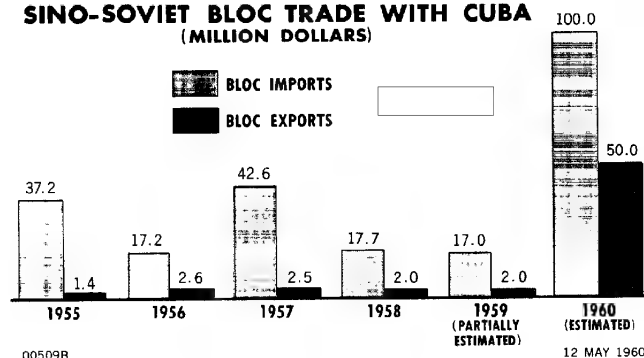
Substantially increased sugar sales to the bloc will not necessarily result in greater Cuban sugar exports, as all these exports outside the United States--including those to the bloc--are governed by the quota system of the International Sugar Agreement. For 1960 more than one half (3,100,000

tons) of total Cuban sugar exports will be sold to the United States at the premium price paid for all US sugar imports; the other half will be sold to the rest of the world at market prices, with total volume set by the International Sugar Council.

The long-term hope of Cuban leaders is for the new bloc sales to result in an expansion of world demand which eventually will boost the export quotas set by the council. Until the quotas are raised, however, the increase in sales to the bloc will largely be at the expense of those to traditional markets, with little if any net gain to Cuba.

Scheduled bloc imports of Cuban sugar for 1960 total 1,340,000 tons--about 45 percent of estimated Cuban sales to the world market outside the United States. In recent years annual bloc sugar imports from Cuba have averaged about 300,000 tons. In terms of total trade the bloc will account for at least 10 percent of the value of Cuba's estimated foreign

SINO-SOVIET BLOC TRADE WITH CUBA
(MILLION DOLLARS)



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trade for 1960, as compared with less than 2 percent in 1959.

At best, Soviet bloc trade of the planned magnitude will

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replace some essential imports from the West--a goal considered an end in itself by the Castro government. Soviet exports for the development of industry and agriculture, supplemented by aid deliveries, will partially compensate for the lack of new economic development credit available to Cuba from other sources.

Prospects

The chaotic situation in Cuba does not present the USSR with its best hope of setting up a workable economic relationship as a model for the rest of Latin America. Both countries possess the economic resources to work out the kind of permanent relationship now sought by Moscow, but it is doubtful that the more necessary ingredients are present for the

establishment of fruitful, long-term cooperation.

Currently it takes very little for a bloc or neutral country to please the Castro regime, and the immediate prospects are for considerable bloc success in exploiting the situation in Cuba. In the long run, the success of the new relationship will hinge on its tangible benefits to Cuba, and transformation of present contacts into firm economic bonds will depend chiefly on Cuba's ability to achieve some degree of domestic tranquillity. Present conditions offer numerous opportunities for the bloc to set up new trade and aid ties, but profitable long-term cooperation leading toward successful Cuban economic development will demand sound planning and rational administration. (Prepared by ORR)

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NEO-FASCISTS IN POSTWAR ITALY

The recently formed cabinet of Fernando Tambroni is unique among postwar Italian governments in that his Christian Democratic party is dependent for its majority in the lower house on the neo-Fascist Italian Social Movement (MSI). This development, which came about over vehement objections both in and outside the ruling Christian Democratic party, has focused renewed attention on the long struggle of Italian fascism to reassert and rehabilitate itself. As proponents of an authoritarian, nationalist, anti-Communist solution for Italy's political difficulties, the neo-Fascists can hope to profit from continuance of the division within the Christian Democratic party.

Postwar Development

At the end of World War II, most Fascists from the Mussolini era sought refuge in other

political groupings, including the Communist and Christian Democratic parties. A small hard core, however, joined a



TAMBRONI

new group, the Common Man party, which was later absorbed by a Republican Revolutionary Action group. In December 1946, this became the Italian Social

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Movement, headed by Mussolini's secretary of popular culture. The early MSI stressed revolutionary aims, used strong-arm tactics against moderates as well as Communists, and cooperated with the Communists in support of a bill to deprive the security forces of fire-arms. The MSI survived numerous attempts to outlaw it, but in the first national elections in 1948, it polled less than 2 percent of the vote and elected five deputies.

During the next 10 years the growing influence of the party's conservative wing resulted in fewer electoral alli-

Without any exaggerated alarms, without believing that Hannibal is at the gates and a march on Rome is in preparation (I was among the very first in 1919, on the eve of the apparent Socialist triumph, to warn of the Fascist peril), I retain the right and the duty to raise my voice at the first symptoms, at the still faraway portents.

From an editorial by Luigi Salvatorelli in La Stampa, 26 April 1960.

ances with the Communists and more with the Monarchists. It won nearly 6 percent of the vote in the local elections in 1951-52, and came close to holding a balance-of-power position between the Communists and Christian Democrats in some local governments. In 1953 it elected 29 deputies to the national lower house. In the 1958 national elections, however, with a national trend to the center-left, it had declined to less than 5 percent of the vote and 24 deputies. It nevertheless remains the fourth largest party in a parliament where at least ten political groups are generally represented.

Support and Program

In general, the MSI appeals to down-at-the-heel aristocrats, petty bourgeoisie anxious to clean up city hall, and protest voters unwilling to support the parties of the left. Supporters

also include refugees from former Italian overseas territories, noncommissioned officers, policemen, and civil servants, as well as shopkeepers and artisans dislocated by the postwar changes in the Italian economy. Subject to sharp divergencies among its hoodlum and conservative following, the MSI is at the same time nationalist, corporativist, republican, anti-Marxist, and anti-capitalist. In general it is anticlerical, a fact which has not deterred former Catholic Action chief Luigi Gedda from urging--almost successfully in 1951--Christian Democratic electoral alliances with the MSI.

Like the Communists and both Socialist parties, the neo-Fascists at first were strongly opposed to the North Atlantic Treaty. The MSI now pays lip service to NATO and has tried to improve its relations with

US Embassy. Nevertheless, party supporters are still bitter over the American role in the collapse of fascism, and the neo-Fascist paper Borghese described President Eisenhower on his European trip last fall as "a murderer who comes back to the scene of his crime."

The neo-Fascists opposed EDC; they now object to the supranational aspects of the European Community. In a sense, the issue of nationalism has been dimmed by Europe's postwar efforts at integration, and lost colonies, too, are becoming an old story; corporativism is still an ugly word. At the same time, remnants of fascism remain alive in most of Western Europe--as shown by the anti-Semitic outbursts of the past winter. Italy retains the dubious prestige of having "invented" fascism, even though others may have administered it more efficiently, and Italian

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Fascists maintain relations with those in other countries through attendance at periodic international meetings such as that at Malmo, Sweden, in 1957.

Domestically, the MSI is troubled by competition on several of the issues for which it stands. The Communists claim a monopoly on anticapitalism, the Christian Democrats on anti-Marxism. The lay democratic parties--Liberals, Social Democrats, Republicans--offer a more respectable home for anti-clericals. Practically everybody is republican, even including the monarchist parties, both of which have formally become the Italian Democratic party.

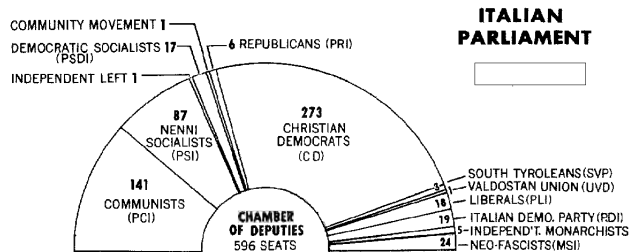
Nevertheless, the neo-Fascists exemplify a basic Italian nostalgia for international adventures and for the standing of a great power. Italian nationalism is undergoing a revival as a result of Italian resentment over nonparticipation in great-power conferences and over US coolness toward the Italian state-owned oil monopoly, ENI, and its holdings abroad. Because the democratic tradition is not deeply rooted in Italy, there is nostalgia also for an authoritarian central government which can impose order.

Current Situation

There has been a rapid comeback of Fascists in virtually every field of endeavor--as university professors, technicians, businessmen, and editors --while in the diplomatic service Fascists had simply continued on. Fascists also con-

trol a tiny fraction of organized labor. No stigma is attached today in business and social life to the espousal of Fascist ideas, and a number of fairly prominent Christian Democrats were once prominent Fascists. Fascist Marshal Giovanni Messe, Rommel's successor in the Tunisian campaign, is now a Christian Democratic senator.

The party got its first real break in 1957 when Premier Zoli reluctantly accepted one neo-Fascist vote as part of his majority in the lower house. By the time Segni's all - Christian Democratic cabinet was formed in 1958--with the rightist parties supplying it parliamentary support--MSI influence on Italian Government policy was becoming increasingly apparent. Segni's labor minister was the first to attend a meeting of the neo-Fascist labor confederation. Italy's attitude toward the touchy South Tirol minority seemed to toughen under the nationalistic influence of the neo-Fascists, and Italian military visits to Spain were stepped up.



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The MSI is not yet entirely respectable as a party, however, and the Monarchists broke the 1956-59 unity-of-action pact for

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that reason. Limited working alliances between the Christian Democrats and the MSI have developed in 28 local governments, including Milan, Genoa, and the regional government of Sicily. The neo-Fascists recently threatened to withdraw and precipitate crises in these governments if the Christian Democrats should form a center-left government at the national level. On 4 June 1959, a national holiday commemorating the 15th anniversary of Rome's liberation

of all other parties except his own. Thus the MSI now can pose as a patriotic supporter of the government in time of emergency.

General Raffaele Cadorna, celebrated leader of the anti-Fascist wartime resistance, recently voted in the Senate in favor of Tambroni's neo-Fascist - supported government and resigned his membership in the association of Italian resistance fighters. His action probably will not be questioned by the

post-Mussolini generation, which never participated in the anti-Fascist guerrilla fighting that contrasted so favorably with the efficiency of the Italian armed forces in World War II.

Prospects

The MSI's long-range prospects are not bright, as its leaders, who are not strong, have the problem of holding together its revolutionary and conservative wings. Neither the present party secretary, Arturo Michelini, nor his colleague and predecessor Augusto de

Marsanich, has succeeded in catching the public imagination. Nevertheless, the anarchic state of Italian politics offers the MSI two possible opportunities to exert strong influence on the government.

It can hope to profit from rising tensions between a rightist government and a leftist electorate--tensions which could build up to a rightist coup aimed at preventing an "opening" to the Socialists. Neo-Fascist bully boys would probably be a major element of any extremist venture headed by figures such as former



De Marsanich and Michelini

by the Allies in World War II, the Christian Democratic mayor of Rome was "out of town" and so avoided offending the neo-Fascists by being present for the ceremonies and parade.

When the Liberal party withdrew its support of the Segni government in February, Segni resigned rather than rely solely on neo-Fascist and Monarchist votes. Fernando Tambroni, however, has now given the MSI a touch of respectability by accepting neo-Fascist backing for his "administrative" cabinet against the opposition

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Defense Minister Pacciardi or Senate President Merzagora, who appear to have right-wing revolutionary leanings.

If such a coup does not occur, the neo-Fascists can hope to exert ideological influence more gradually in their role as ally of a Christian Democratic party apparently determined to stay in power at all costs. Although the quest for respectability makes them initially

inexpensive allies, they would eventually demand a quid pro quo, possibly involving occupancy of certain key government positions and a more nationalistic Italian foreign policy. Because of the stigma still attached to the neo-Fascists, their inclusion in the government could be expected to bring about a reaction on the part of the Italian public toward the extreme left.

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EAST GERMAN ECONOMY: PROSPECTS IN THE EARLY 1960'S

Economic problems are less likely to contribute to political instability in East Germany

East and West German National Incomes
(Index: 1936=100)

	1936	1950	1955	1957
East Germany	100	85	117	127
West Germany	100	117	178	200
East German as percent of West German	44	32	29	28

Factors in Economic Growth

The economy of East Germany will continue its rapid growth during the next few years. The expected yearly rates of growth of 5 percent for gross national product (GNP) and 7 percent for industrial production in 1960-65 are lower than those achieved in 1958-59 (7 percent for GNP and 10 percent for industrial production), but they are slightly higher than probable future growth rates in West Germany. The present per capita GNP in East Germany is still only 80 percent of that in West Germany.

The principal reasons why the East German economy has continued to lag behind West Germany

East and West German
Foreign Trade in Commodities
(Index: 1936=100)

	1950	1955	1957
East Germany			
Imports	10	27	39
Exports	45	51	53
West Germany			
Imports	60	128	168
Exports	62	143	196

West German imports in 1950 include US aid.

East German exports in 1950 and 1955 include reparations deliveries, deliveries of uranium ore and concentrates, and other uncompensated deliveries to the USSR.

during the next few years than they have in the recent past. Living standards at present are comparable to levels in West Germany in 1953, and further economic growth will probably be more rapid than in West Germany. There is little likelihood, however, that agricultural production will increase significantly over the next few years. Personal consumption is now increasing less rapidly than production, and during the next few years consumption will remain about 25-30 percent below present West German levels.

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have been the low level of foreign trade and investments. These latter reasons are being overcome or are becoming of less importance, however, and their effect will probably continue to decline in the next few years.

The low level of East German foreign trade during the postwar period is due largely to the fact that the USSR, which alone could replace West Germany as the chief trading partner of East Germany, was very slow to take over that role. This low level of trade made for inefficient use of East German manufacturing capacity and led to the development and use of high-cost domestic sources of raw materials.

The rapid increase in East German foreign trade during the past few years has considerably improved economic efficiency in East Germany. In 1958-59, supplies of imported materials were finally sufficient to eliminate abnormal fluctuations in manufacturing output. Gains in economic efficiency from further increases in foreign trade will continue to be significant during the next few years, although they will decline as East German labor and capital assets become more fully employed.

Through 1955, the level of East German investment, relative to GNP, was very low--lower than in Western Europe and much lower than in the other European satellites--partly because the USSR continued to exploit East Germany and partly because the East German regime had to concede more to the consumer than did the other satellite regimes. Since 1956, however, the USSR has largely given up the exploitation of East Germany, and investments have been increasing rapidly. From 1955 through 1959 they more than doubled, and they will continue

to increase during the next few years, although at a somewhat lower rate. With such resources East Germany should considerably reduce the lag behind West Germany, both in industrial technology and in the amount of invested capital per industrial worker.

The soft spot in the East German economy continues to be agriculture. Productivity, which was higher than in what is now West Germany before World War II, is now admittedly well below the West German level. Temporarily, at least, the regime has aggravated this weakness by accelerating the formation of agricultural production cooperatives. At the beginning of this year only 52 percent of the agricultural land was in state farms and cooperatives. By mid-April all farmers had been enrolled in cooperatives.

Because of this precipitate collectivization, the regime faces serious problems such as finding qualified managerial personnel, mollifying the farmers, providing for new construction, and acquiring agricultural machinery. The mass flights of farmers to the West will make these tasks even more difficult.

These will occupy the regime for at least two or three years. Consequently, farm output over the short run is at best likely to rise little and may decline. The regime, however, is prepared to invest far more in collectivized agriculture than was invested under the "united system" of past years, and the long-term result should be an improvement in production and efficiency, although probably at a high cost.

Dependence on Soviet Policy

Soviet policy has been the chief factor determining the rate of East German economic

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recovery and growth. By far the most important contribution of the USSR to East German economic growth is its willingness to accept increased imports of manufactured goods from East Germany in exchange for fuels, metals, grain, and other basic materials. In mid-1958, Khrushchev took the unprecedented step of committing the USSR to deliver through 1965 large amounts of the basic materials most important to East Germany. This commitment is the cornerstone of East German economic planning.

The USSR also finances East German import surpluses with Western Europe, accepting

Soviet chemical industry is counting on the delivery of this East German output. The Soviet contribution to East German investments is, however, very modest when compared with the critical importance of Soviet decisions affecting East German foreign trade.

Finally, the virtual cessation since 1956 of Soviet exploitation of East Germany has been of considerable help to the East German economy, especially in permitting investments to rise more rapidly. Because of wartime destruction and, even more, of Soviet dismantling immediately after World War II, East Germany suffered a net loss of fixed capital assets equal to nearly one half the value of the 1939 fixed capital accounts,

The amount of current production taken by the USSR during the postwar period was also large and included, in addition to formal reparations deliveries, goods bought with the

profits from Soviet-owned enterprises in East Germany. The USSR took uranium ore, a good deal of machinery and equipment, and substantial amounts of chemicals. The principal effect of this policy was to depress the level of domestic investment.

Trends in Living Standards

The East German Communist regime has from the beginning felt the overriding need, in order to discourage emigration, strengthen its authority at home, and raise its stature in the eyes of the world, to reduce the contrast in living

Postwar Population of East and West Germany
(millions)

	1939	1950	1955	1957	1959
East Germany	16.7	18.6 est.	17.9	17.5	17.3 est.
West Germany (excluding West Berlin)	39.3	46.9	49.2	50.5	51.8 est.

East German goods in payment. The importance of this support lies not in the amounts, which are relatively small, but in the fact that East German imports from Western Europe--in particular those financed with Soviet credits--are likely to be "bottleneck" items--spare parts, research equipment, prototypes, and the like--which are important out of proportion to their monetary value.

The USSR, besides its commitments and policies in the field of foreign trade, has advanced to East Germany investment credits for the development of its chemical industry, to be repaid from production. The

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conditions between East and West Germany. Total personal consumption increased by about three quarters during 1950-1955, whereas investments increased by only about one half.

The contrast between East and West German personal consumption was at its greatest in the late 1940's and early 1950's and since then has been steadily reduced. Since 1955, however, the annual increase in per capita consumption has declined from the 1950-55 average of 12.5 percent to about 4 percent, whereas investment has begun to increase rapidly. This slowdown in the upward movement of consumption has occurred chiefly because living standards have in most respects reached or exceeded prewar levels--except in housing.

The present per capita consumption in East Germany is between 70 to 75 percent of that in West Germany--while per capita production is about 80 percent of West Germany's. The ratio is significantly higher for food, tobacco, and beverages, East German consumption of which by 1955 was 85 percent of that of West Germany. This, however, does not reflect fully the less satisfactory assortment of goods or the deterioration of quality in East Germany.

Consumption per capita in the two areas is roughly comparable for public transportation and repair services. However, East German consumption of tex-

tiles and shoes, consumer durables, professional services, telephone service, entertainment and--above all--housing is well below West German levels. The regime remains extremely sensitive to the contrast with West Germany, and it has promised to "overtake" West Germany in per capita consumption in the near future, but cannot possibly make good on such a claim.

The average annual increase in per capita consumption over the next few years will probably be about 3 percent a year or less. Because per capita consumption is likely to grow at least by this rate in West Germany, the relative difference in living standards will probably not change in favor of East Germany. Of greater importance, however, will be the continued rise in the absolute level of consumption in East Germany.

In terms of the standard of German living, the supply of necessities should become quite adequate--in quality as well as in quantity--and other goods should become more abundant and cheaper. Moreover, the future improvements in personal consumption are to go chiefly to the industrial workers, whose approval is the most important to the regime. Therefore, the disruptive effect of the lag in living standards on political stability should be reduced in future years. (Prepared by ORR)

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HOUSING CONDITIONS AND THE SOVIET CITIZEN

Housing conditions in the USSR cause more widespread and intense dissatisfaction than any other aspect of Soviet life. The average urban family is crowded into one room and must share kitchen and bathroom facilities with several other families. Visible signs of improvement since the regime launched a major

program in 1957 to eliminate the shortage have tended to bring to the surface long-suppressed feelings of personal injustice. While it is likely that in the next decade the Soviet leaders can go a long way toward solving the housing shortage, they will probably be plagued for some time to come with steadily

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increasing popular demands. Expressions of discontent and protest, however, are not expected to pose a serious challenge to the regime.

Protests Over Housing

The Soviet citizen's view of the housing situation was probably typified recently at a stormy public meeting at which a deputy chairman of the executive committee of one of Moscow's rayons discussed housing problems. The official, apparently in charge of the local housing program, gave a short speech replete with optimistic quotations from Khrushchev's speeches. He cautioned, however, that new housing construction would "not be felt" much in 1960 or 1961.

Near-bedlam followed his speech. He tried to avoid answering the flood of written questions that were sent to the rostrum, but the audience was so insistent he offered to let individuals come to the front of the hall and speak. A number of persons took immediate advantage of this and assailed him for what they claimed was his personal failure to act.

Two individuals presented letters signed by this official in which he had promised that their apartments would be repaired in 1959. Another man made a fiery speech charging that he had been living for 36 years in a cellar without any windows. Judging from the frequent shouts of "get us out of the cellars," it seems probable that many in the audience shared his plight.

Perhaps the most serious outbreak of popular protest occurred last fall at the construction site of the large metallurgical plant in the town of Temir-Tau. Bitter resentment over living conditions, including inadequate housing, led to

strikes and riots by workers and students. For at least three days the town was completely immobilized, and troops had to be brought in from outside to quell the disturbance.

Housing History

Current problems in this field are the culmination of years of neglect of housing construction. Urban housing, far from adequate in prerevolutionary Russia, deteriorated steadily during the Soviet drive for industrialization; new construction was unable to keep pace with urban population growth. The per capita living space--living rooms and bedrooms--was 69 square feet in 1923, but by 1940 had dropped to 44 square feet. The downward trend was arrested in the early postwar years, however, and was sharply reversed in 1957 under the present housing program. The per capita space today is estimated at 54 square feet and is expected to increase by 1970 to possibly as much as 97 square feet, which is recognized by Soviet health authorities as the desired sanitary minimum.

Influences of Housing

People from all walks of life, of different ages, education, and tastes now are thrown together, compelled to share the same kitchen and bathroom. Only the minimum degree of privacy is possible. Conditions are often unsanitary; noise and confusion are numbing.

These conditions prevail in urban areas throughout the country. For instance, a medium-level official working in Kamchatka complained: "My family consists of four persons. My wife is sick. We live in two rooms, 226 square feet, which we share with a trawler operator who is continually drunk and who brings his crew,

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persons of questionable character, to spend the night."

It is little wonder that housing conditions place a severe strain on the people and that bickering and feuds are common. Soviet housing ordinances, which attempt to anticipate every possible area of discord, reveal how unharmonious life can be in communal dwelling. The ordinance specifically condemns such mischief as throwing out other persons' belongings from the kitchen and other rooms in common, spoiling food prepared by other tenants...."

Despite the numerous regulations, conflicts requiring litigation constantly arise. "Comrades' courts" attempt to handle the less serious cases such as the manner in which common dwelling space is to be used by several families and disputes over how much to assess tenants for repairs and municipal utilities.

The regular people's courts handle more serious problems. The most frequent disputes are those between individuals or between the tenants and the housing management over the disposition of dwelling space. One such case involved a suit filed by a young woman against her aunt for the legal right to half of the room which they shared with two other persons.

From the regime's point of view, one of the significant aspects of the housing situation is its effect of holding down the urban birth rate. Young married couples are often lucky if they can get a corner of a room to set up housekeeping; the addition of a child becomes a real burden. As a result it is unusual for an urban family to have more than two children.

Housing Administration

State agencies assign dwelling space and regulate all conditions of tenancy. Rental rates are maintained at a relatively low level, and allotment of dwelling space depends much less on a person's ability to pay than on his official status. The average citizen is entitled to no more than 97 square feet of living space. Certain privileged groups such as leading party and government workers, top members of the intelligentsia, high-ranking military officers, and some outstanding workers are entitled to larger quarters. The regime assigns private residences or apartments in specially built houses to members of the elite.

Tenancy in state-owned housing is established and governed by a contract normally running for five years. As long as the occupant abides by all the conditions of the lease and the building is not requisitioned or razed, he can usually count on the contract being renewed. If the tenant and his family leave town for an extended period, their living quarters automatically pass into possession of the local government. For those whose housing is supplied by enterprises, tenancy is usually conditioned on continued work at the particular enterprise.

The strict control over housing enables the regime to control the movement of workers from one area to another and to prevent unrestricted migration to the crowded cities. An enterprise is forbidden to offer a job unless it can provide housing or the applicant can give proof that he has adequate living space. At the same time, housing authorities cannot

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